

**OPINION OF MARKET RENT
FILE #: 3111.494**

**PROJECT: CENTRAL LIBRARY MARKET CAFÉ – RENT STUDY
710 WEST CESAR CHAVEZ STREET
AUSTIN, TEXAS
EFFECTIVE DATE OF APPRAISAL: SEPTEMBER 30, 2013
DATE OF REPORT: OCTOBER 2, 2013**



Prepared for
**CITY OF AUSTIN
OFFICE OF REAL ESTATE SERVICES
P.O. BOX 1088
AUSTIN, TEXAS 78767-8839**

Prepared by
**J. L. CRAFT & ASSOCIATES
REAL ESTATE APPRAISAL AND ANALYSIS
911 WEST ANDERSON LANE, SUITE 210
AUSTIN, TEXAS 78757**

MEMORANDUM

TO: LAURAINÉ RIZER
FROM: J. L. CRAFT, MAI
SUBJECT: CENTRAL LIBRARY MARKET CAFÉ – RENT STUDY
FILE#: 3111.494
DATE: OCTOBER 18, 2013

This Memorandum is incorporated by reference into my appraisal of the Central library Market Café with an effective date of appraisal of September 30, 2013 and a date of report of October 2, 2013. The intended use of the appraisal was to assist the City of Austin for resource management and rental related decisions of the subject property by forming an opinion of its market rent.

The subject property is a 3,647 SF restaurant space located at 710 West Cesar Chavez Street; it is in the New Central Library (under construction). My opinion of market rent is based on a pre-leasing rate with the lease commencing when the space is usable for its purpose as a restaurant. The landlord is providing in place two finished restrooms, grease interceptor, and sub meters for utilities.

At your request, instead of a 10-year fixed rent, I have expressed the market rent on a step-up basis.

Rent/SF/YR	1 st 6 mos.	\$10.00
	Mos. 7 -9	\$15.00
	Mos. 10-12	\$20.00
	Years 2-5	\$28.00
	Years 6-10	\$30.00
Expenses	Net	
Term	10 years	
Parking	3-4 reserved spaces	
Percentage Rent	6% (at natural breakpoint)	



J. L. Craft, Ph.D., MAI
State Certified Appraiser TX-1320255-G

J. L. CRAFT & ASSOCIATES

REAL ESTATE APPRAISAL
911 WEST ANDERSON LANE, SUITE 210
AUSTIN, TEXAS 78757

512-502-8665
FAX 512-343-6329
jlcraft@theareagroup.com

October 2, 2013

Mr. Thomas A. Balestiere
City of Austin
Office of Real Estates Services
P.O. Box 1088
Austin, Texas 78767-8839

RE: Central Library Market Café – Rent Study
710 West Cesar Chavez Street, Austin, Texas

File#: 3111.494
COA Assignment No. 44-279

Dear Mr. Balestiere:

The City of Austin is the client and intended user of this appraisal report. The intended use of the appraisal is to assist the City of Austin for resource management and rental related decisions of the subject property by forming an opinion of its market rent. The subject property is a 3,647 SF restaurant space located at 710 West Cesar Chavez Street; it is in the New Central Library (under construction).

This appraisal was conducted in accordance with and the *Uniform Standards of Professional Appraisal Practice* and Code of Professional Ethics of the Appraisal Institute.

My opinion of the market rent of the identified property, with an effective date of appraisal of September 30, 2013, and subject to the assumptions and limiting conditions of this report, is:

Base Rate:	\$28.00/SF/Yr
Annual Base Rent:	\$102,116
% Rent:	6% (at natural breakpoint)
Expenses:	Net
Term:	10 years
T.I.:	~\$25/SF (in place)

An appraisal condition is a hypothetical condition that the New Central Library is fully constructed and the subject restaurant space is available for use. My opinions and conclusions are based on certain assignment conditions noted in the following sections of the report: *Assignment Conditions, Assumptions and Limiting Conditions, and Scope of Work.*

Attached is a copy of my Summary Report.

Respectfully submitted,



J. L. Craft, Ph.D., MAI
State Certified Appraiser TX-1320255-G

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- I have not performed services, as an appraiser, regarding the property (or a part) that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- as of the date of this report, I, J. L. Craft, have completed the continuing education program of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



J. L. Craft, Ph.D., MAI
State Certified Appraiser TX-1320255-G

TABLE OF CONTENTS

Title Page
Letter of Transmittal
Certification
Table of Contents

	Page
Assignment Elements	1
Property Characteristics	3
Assumptions and Limiting Conditions	7
Scope of Work	8
Highest and Best Use	10
Market Rent Analysis	11
Final Opinion of Market Rent	17

Data & Documents

Appendix A - Notice to Proceed
Appendix B - Qualifications of Appraiser

ASSIGNMENT ELEMENTS

Client:	City of Austin
Intended User:	City of Austin
Intended Use:	To assist the City of Austin for resource management and rental related decisions of the subject property by forming an opinion of its market rent
Subject Property:	3,647 SF restaurant area at 710 West Cesar Chavez Street
Legal Description:	3,647 SF at Lot 1-8 , Block 186, OCA plus alley (to be more specifically identified in lease agreement)
Location:	710 West Cesar Chavez Street
Owner/Lessor:	City of Austin

Market rent is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract..
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

(The Dictionary of Real Estate Appraisal, Fourth Edition, page 176.)

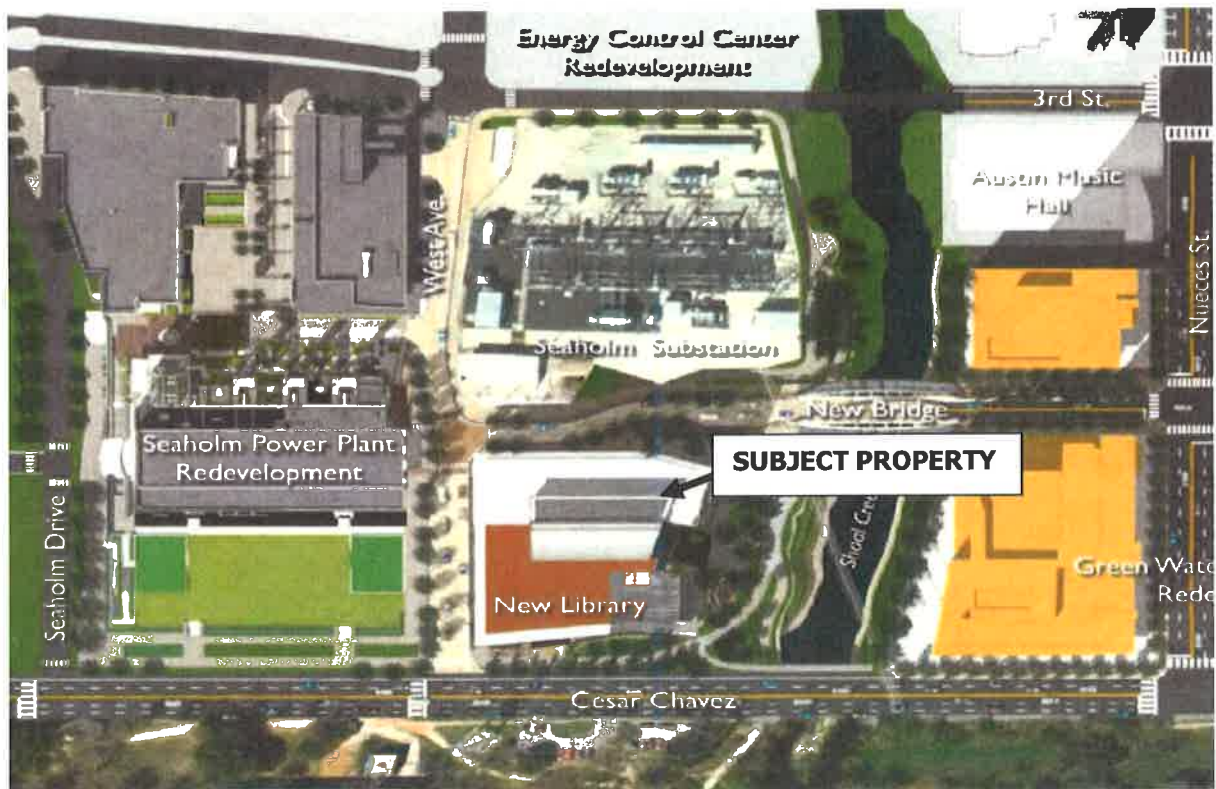
Property Rights Appraised: Leased Fee Interest, which is defined as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and lessee are specified by contract terms contained within the lease.

(The Dictionary of Real Estate Appraisal, Fourth Edition, pages 161)

Exposure Time: Less than six months
Date of Inspection: September 30, 2013
Effective Date of Appraisal: September 30, 2013
Date of Report: October 2, 2013
Type of Report: Summary

LOCATION



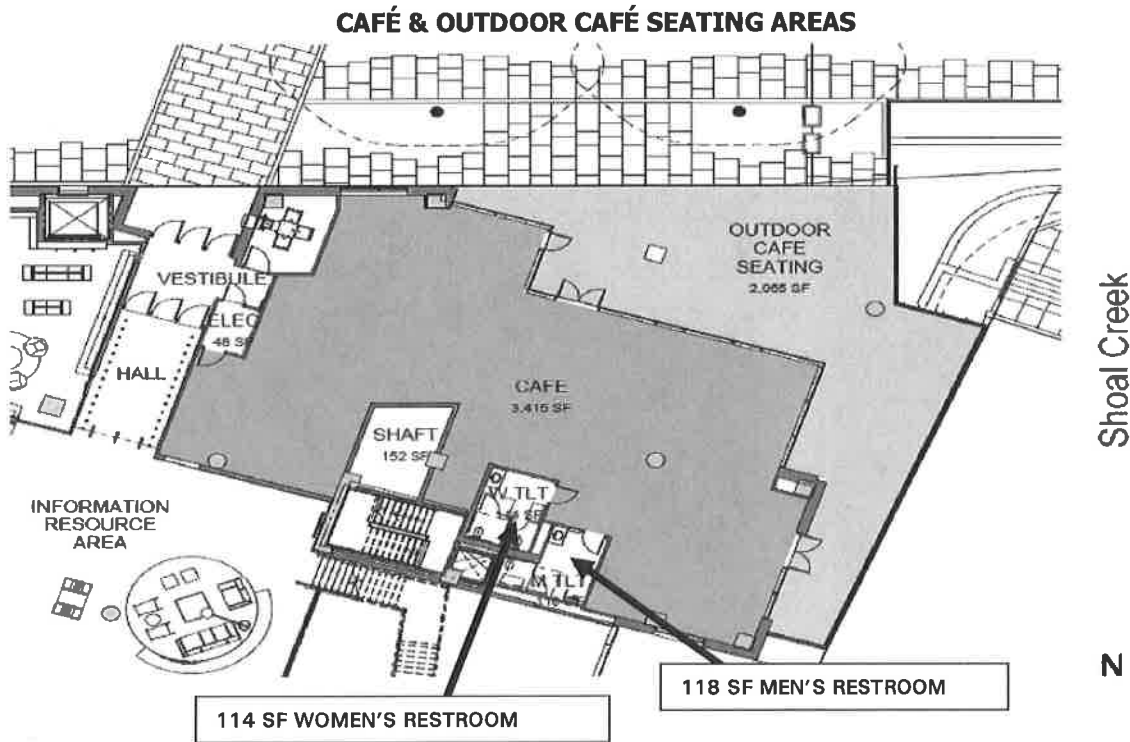
PROPERTY CHARACTERISTICS

IMPROVEMENTS

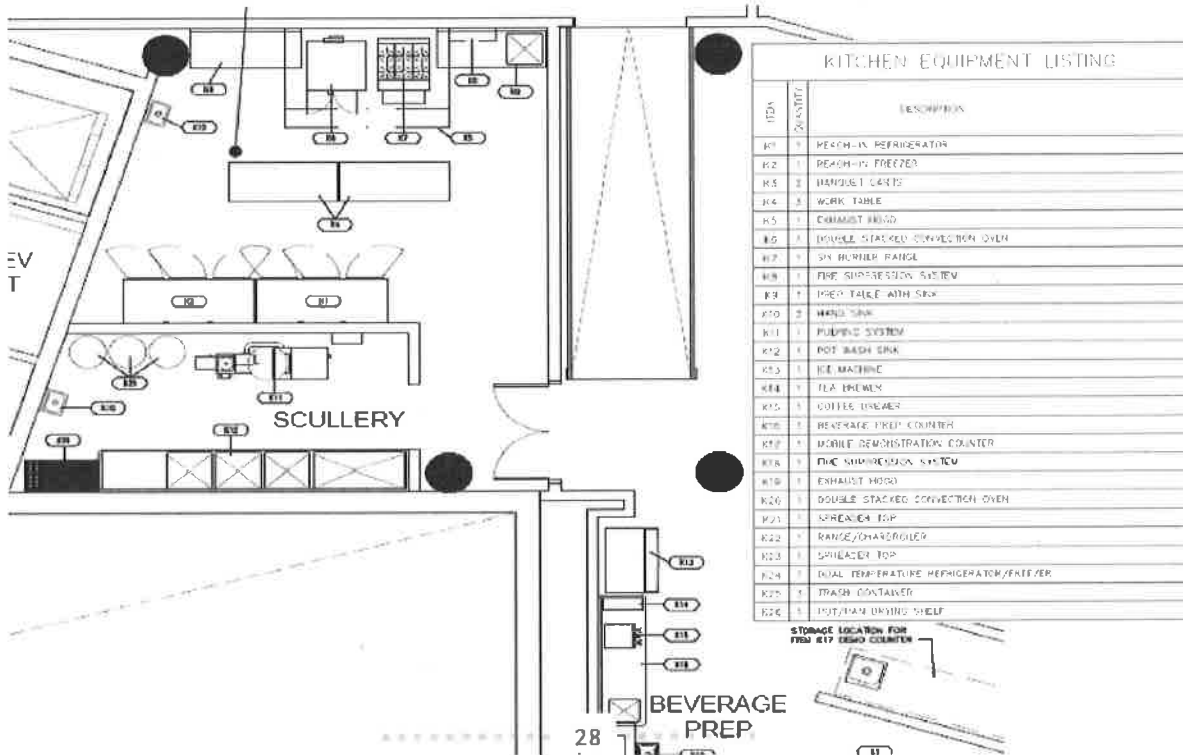
The subject property is a 3,647 SF restaurant area in the New Central Library, which is a (under construction) public institutional building, opening in 2016. A 2,065 SF outdoor seating area is provided and will be used in conjunction with the restaurant operation; this outdoor seating area is open to the public and not part of rentable area of the restaurant.

The new Central Library is a 213,450 SF, six-story (5 on West 2nd; 6 on Cesar Chavez) library with a 350-seat special events centers, a bike corral, and a rooftop garden. It is under construction with its opening planned for 2016. It will achieve at least Silver LEED (Leadership in Energy and Environmental Design) certification with sustainable elements such as, a rooftop solar panels to provide the building with electrical power, a rainwater harvesting system for all landscape irrigation system as well as for restroom plumbing fixtures, a green roof, and charging stations for electric cars. Parking garage will have 216 spaces. There are 144 bike spaces on bike porch.

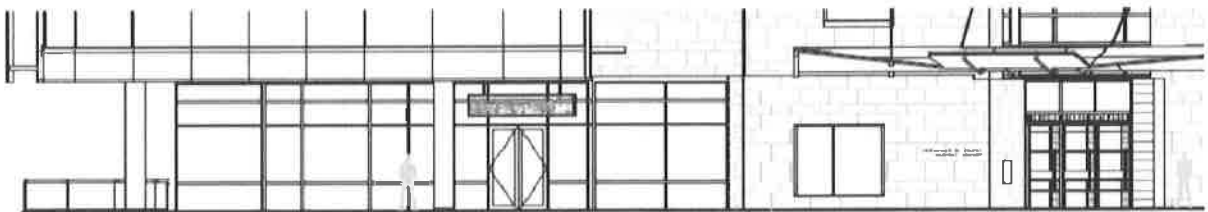
The building's exterior walls are limestone with tinted glass storefront windows and doors.



786 SF CATERING AREA



CAFÉ ELEVATION



SITE

The site is a portion of Block 186, being bounded by West Cesar Chavez Street, West Avenue, West 2nd Street, and Shoal Creek. Soils and terrain are suitable for development, there is no floodplain, and no atypical easements are known.

Size: 1.149 acres (50,040 SF)

Shape: Approximates a square

Location: 710 West Cesar Chavez Street

Frontage: 227.80' on West Ave.; 212.68' on W. 2nd St., 231.03' on Shoal Creek; 208.26' W. Cesar Chavez St.

Access: Driveway to parking garage on West Avenue

Utilities: All available

Zoning: "P" - Public Use; North Shore Central Subdistrict Overlay, partially in South Lamar at La Casa Drive Capitol View Corridor

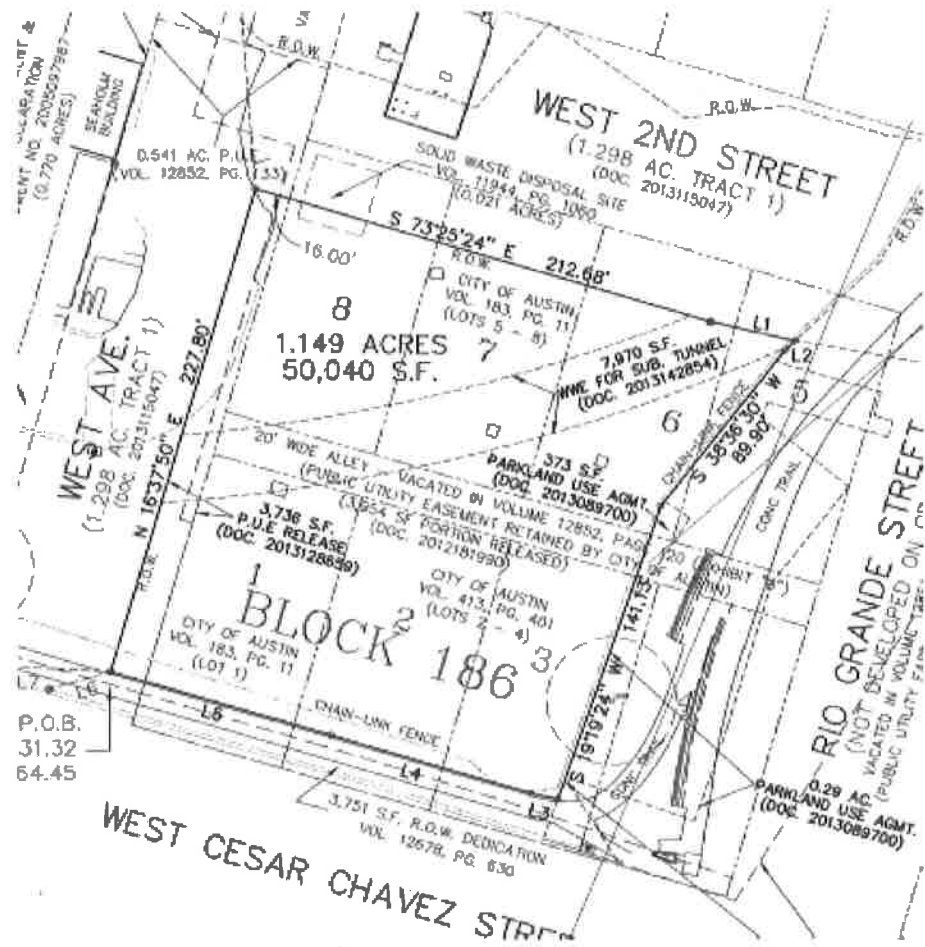
TCAD Parcel No.: 01-0500-0501 (shows 76,176 SF land area)

2013 Assessed Values & Tax Rates:

Assessed Values	
Land	\$15,425,640
Improvements	-0-
Total	\$15,425,640

Jurisdiction	Tax Rate
Austin ISD	1.2420
City of Austin	0.5027
Travis County	0.5001
ACC	0.0959
Travis Co. Healthcare District	0.1290

SITE



ASSUMPTIONS & LIMITING CONDITIONS

This appraisal is subject to the following assumptions:

1. Title to the ownership interest appraised being free of easements, encumbrances, leases, liens, restrictions and other limitations, except as noted.
2. Title to the ownership interest appraised being "good and marketable."
3. The property being under responsible ownership and competent management.
4. There being no hidden or unknown soil or subsurface conditions, which, if known, would render the property's title more or less valuable.
5. The property having no significant environmental concerns.
6. All information considered in the formation of the opinions, estimates, and conclusions set forth herein being factual, true, and correct.
7. The New Central Library and its improvements existing on effective date of appraisal in accordance with site plan and the subject property is available and rentable. As the improvements are under construction, this is a hypothetical condition.
8. The restaurant space having two finished restrooms, grease interceptor, and sub metered for utilities in place and representing approximately \$25/SF in T.I..

The appraisal and this report are subject to the following limiting conditions:

1. The appraiser is not qualified to render an "opinion of title"; hence, no responsibility is accepted or assumed for matters of a legal nature affecting the property. The title to the property has been appraised assuming it to be marketable and free of encumbrances, except as noted. The appraiser does not warrant such conditions.
2. The appraiser is not qualified to render an opinion as to the suitability of the soil and subsurface for any type of construction, development or use. The appraiser does not warrant such condition.
3. The appraiser is not qualified to detect the presence of potentially hazardous materials such as urea-formaldehyde foam insulation, asbestos, and toxic wastes.
4. All photographs, sketches, and diagrams within and attached to this report or in the file memoranda are for illustrative purposes, intended to assist a reader in visualizing the property. While believed to accurately represent the property or a concept regarding the property, they are not guaranteed to be exact.
5. The improvement areas reported herein were obtained from sources deemed reliable. While the appraiser has checked them, they are neither guaranteed nor warranted by the appraiser. The appraiser reserves the right to amend any opinion, recommendation, and/or value conclusion based on an area found to be in error.
6. Information, estimates, and opinions used by the appraiser in forming his recommendations, opinions, and conclusions were obtained from sources thought reliable. While believed to be factual and correct, the accuracy of the information is neither guaranteed nor warranted by the appraiser and the appraiser reserves the right to amend his conclusions if they are proved to be based on misinformation.

7. The bylaws and regulations of the Appraisal Institute govern disclosure of the contents of this document. As such, this report and its use are subject to review by duly authorized representatives of this organization.

Brief History of Property. The subject property is a restaurant space that will part of the new Central Library, which is a 213,450 SF, six-story library currently under construction. Requests for Proposals will be issued shortly for tenants for the restaurant space.

SCOPE OF WORK

The intended use is to form an opinion of market rent of the subject property for resource management and rental related decisions. The subject property is a 3,647 SF restaurant space in the New Central Library, which is currently under construction in accordance with an approved site plan (SPC-2012-0303C). Assignment conditions include:

- ▶ The library is fully constructed as of the effective date of appraisal and the following items are in place in the restaurant space:
 - Two restrooms
 - Grease interceptor
 - Sub metered for utilities
- ▶ Mixed beverage sales are not to exceed 49% of the gross sales.
- ▶ Though the 2,065 SF outdoor seating area may be used for restaurant seating, it is public space and not part of the rentable area of the restaurant; landlord may benefit with a percentage rent to the increased gross sales caused by the patio area.
- ▶ There is a separate 786 SF catering area which will be equipped, maintained, and utilities paid by the landlord. The restaurant tenant will be the Preferred Caterer. The catering operation is a separate operation from the restaurant operation, and catering sales are not part of the restaurant's gross sales with respect to the percentage rent nor is the catering area part of the restaurant's rentable area.
- ▶ Restaurant build-out must achieve at least a LEED CI (Commercial Interiors) Silver rating.
- ▶ Restaurant will have a quick service coffee/snack bar at its opening to the NCL second floor; and restaurateur will provided a coffee/snack cart in the rooftop garden area (as appropriate).

As the scope of the assignment is to form an opinion of market rent, a market rent analysis was conducted, considering the characteristics of the building and the rental space, and lease arrangements.

Based on information provided by the client, approximately \$25/SF of tenant improvement will be

constructed. Lease expenses for the subject type of property are net with the tenant paying utilities, property taxes, and insurance. Tenant also pays for janitorial and maintenance of the interior. In some instances, there is a CAM charge. Landlord expenses are typically for the structural items.

An opinion of market rent is formed by comparison of the subject property with similar properties that have rented or are offered for rent. Since parcels of real estate are usually different, adjustments are made to the rents of each comparable property to make it similar to the subject, in an effort to ascertain what rent the comparable property might have brought had it possessed the same characteristics as the subject on the date of appraisal. These adjustments are based on the actions of landlords and tenants in the marketplace as observed by the appraiser. After the necessary adjustments are made to each comparable's rent, the indicated rents for the subject are then reconciled into an opinion of market rent.

Sufficient rental data was found in downtown to form an opinion of the market rent range of the subject property. Information about rents and asking rents for properties similar and competitive with the subject property was obtained from public and vendor records, brokers, and other market participants.

As the Library is under construction and assumed to be constructed according to the site plan, the inspection was for Cesar Chavez.

HIGHEST AND BEST USE

Highest and best use analysis inspects four criteria in estimating the use that results in the maximum return to the property. Potential uses are examined to determine first which are legally permissible and second, which of those are physically possible. Physically possible and legally permissible uses are then tested for financial feasibility and maximal productivity.

The subject property is a 3,647 SF restaurant space in the new Central Library. The restaurant use is physically possible and legally permissible. The Rentals in the Market Rent Analysis indicate an economic demand for restaurant space in the subject' area.

Conclusion. The highest and best use of the subject property is for a restaurant use.

MARKET RENT ANALYSIS

Market rent is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

(The Dictionary of Real Estate Appraisal, Fourth Edition, page 176.)

A market rent rate includes amount paid (base rate, step-ups), the expense arrangement, T.I., the replacement and repairs agreement, and lease term.

In order to estimate what rents the subject could command under the definition of market rent, a survey of the rents being paid for restaurant space in downtown with emphasis on the restaurants in the Second Street District was conducted. Generally, downtown restaurant rents are in the high 20's to low 30's per SF vs. 6% (at natural break point), net expenses, \$30-\$40 T.I., 10-year base term, two 5-year options. In the 2nd Street District restaurants may not have more than 49% of their gross sales be mixed beverage sales. Net expenses means in general that real estate taxes, insurance, and interior maintenance are paid by the tenant. Utilities are considered the tenant's concern.